Michigan Department of Treasury 496 (02/06)

Auditing Procedures Report

Authoring CPA Signature

Joseph Hender CPA

Issued under P.A. 2 of 1968	, as amended and P.A. 71	l of 1919, as a	mended.		
					-

Issue	d unde	r P.A.	2 of 1968, as	amended ar	d P.A. 71 of 1919	as amended.				
Loc	al Unit	of Go	vernment Type	е			Local Unit Nan			County
	Coun	-	City	⊠Twp	□Village	Other	Dayton To			Newaygo
1000	al Yea				Opinion Date			Date Audit Report Submitted	d to State	
3/	31/0	6			8/17/06			8/24/06		
We	affirm	that	7							
We	are ce	ertifie	d public ac	countants	licensed to p	ractice in M	lichigan.			
					erial, "no" resp ments and rec			sed in the financial statem	ents, inclu	uding the notes, or in the
	YES	9	Check ea	ch applic	able box belo	w. (See in	structions for	further detail.)		
1.	X				nent units/fund es to the financ				ncial stat	ements and/or disclosed in the
2.	×							unit's unreserved fund bala budget for expenditures.	nces/unre	estricted net assets
3.	×		The local	unit is in o	compliance wit	h the Unifo	rm Chart of A	accounts issued by the Dep	partment	of Treasury.
4.	×		The local	unit has a	dopted a budg	get for all re	quired funds			
5.	×		A public h	earing on	the budget wa	as held in a	ccordance w	ith State statute.		
6.	×				ot violated the ssued by the L			an order issued under the Division.	Emergen	cy Municipal Loan Act, or
7.	×		The local	unit has n	ot been delino	uent in dist	ributing tax r	evenues that were collecte	d for ano	ther taxing unit.
8.	×		The local	unit only h	nolds deposits	/investment	ts that comply	with statutory requiremen	nts.	
9.	×							that came to our attention ed (see Appendix H of Bull		d in the Bulletin for
10.	X		There are that have	no indica	tions of defalc previously con	ation, fraud	or embezzle to the Local	ment, which came to our a	attention o	furing the course of our audit If there is such activity that has
11.	X		The local	unit is free	of repeated of	comments f	rom previous	years.		
12.		\boxtimes	The audit	opinion is	UNQUALIFIE	D.				
13.	X				omplied with 0 g principles (0		GASB 34 as	modified by MCGAA State	ement #7	and other generally
14.	X		The board	d or counc	il approves all	invoices pr	ior to payme	nt as required by charter o	r statute.	
15.	X		To our kno	owledge, b	oank reconcilia	ations that v	were reviewe	d were performed timely.		
incl	uded cripti	in thon(s)	is or any of the auth	other aud nority and		do they ob n.	tain a stand	-alone audit, please enclo		the audited entity and is not ame(s), address(es), and a
-			losed the	-		Enclosed		d (enter a brief justification)		
VVC	nave	GIIC	ioseu tile	Tollowing			Not Require	u (enter a brief justification)		
Fin	ancia	I Sta	ements			X				
The	e lette	r of (Comments	and Reco	mmendations	\boxtimes				
Oth	er (D	escribe	:)							
			ccountant (Fir Slate, P.C.					Telephone Number (231)924-6890		
	et Add							City	State	Zip
711 West Main Street							Fremont	MI	49412	

Printed Name

Jack Hendon

License Number

14010

DAYTON TOWNSHIP AUDITED FINANCIAL STATEMENTS

March 31, 2006

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Board Members

	<u>Position</u>
Shirley Hooker	Interim Supervisor
Bill Kunnen	Clerk
Vicki Kunnen	Treasurer
Glenn Sparks	Trustee
Barbara Popp	Trustee





Hendon & Slate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



Dayton Township Newaygo County Fremont, Michigan 49412

Independent Auditor's Report

We have audited the accompanying financial statements of each major fund and nonmajor fund of Dayton Township, as of and for the year ended March 31, 2006, as listed in the table of contents, which collectively comprise a portion of the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township's board. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and with the standards prescribed by the state treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dayton Township, as of March 31, 2006 or the changes in its financial position for the year then ended.

Muskegon 985 South Harvey

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Hendon & Slate, P.C.

Certified Public Accountants

Hendon & Slate

August 1, 2006



Governmental Fund Balance Sheet March 31, 2006

Governmental	
Fund Types	

	Fund		
		Capital	
		Improvement	Totals
	General	Fund	(Memo Only)
Assets			
Cash and Investments	\$ 314,670	\$ 20,755	\$ 335,425
Taxes Receivable	7,812	-	7,812
Due from Other Governments	1,002	-	1,002
Prepaid Expenses	-	-	-
Due from Other Funds - Agency	764		764
Total Assets	\$ 324,248	\$ 20,755	\$ 345,003
Liabilities and Fund Equity			
Liabilities			
Accounts Payable	\$ 2,464	\$ -	\$ 2,464
Due to Other Governments	42,365	-	42,365
Accrued Wages Payable	1,915		1,915
Total Liabilities	46,744	-	46,744
Fund Equity			
Fund Balance-Designated			
Capital Improvements	-	20,755	20,755
Fund Balance-Undesignated	277,504		277,504
Total Fund Equity	277,504	20,755	298,259
Total Liabilities and Fund Equity	\$ 324,248	\$ 20,755	\$ 345,003

The Notes to the Financial Statements are an integral part of this statement.

Governmental Fund Statements of Revenues, Expenditures and Changes in Fund Balance For the Year Ended March 31, 2006

	General	Improvements	Totals
	Fund	Fund	(Memo Only)
Revenues			
Taxes and PTAF	\$ 68,559	\$ -	\$ 68,559
State Grants	136,100	-	136,100
Charges for Services	1,870	-	1,870
Interest Earned	4,821	251	5,072
Fire Special Assessment	46,305	-	46,305
Reimbursement & Other Revenue	17,383	-	17,383
Royalties	8,061	-	8,061
Total Revenues	283,099	251	283,350
Expenditures			
Legislative	14,527	-	14,527
General Government	63,569	-	63,569
Public Safety	61,795	-	61,795
Public Works	87,886	-	87,886
Other Functions	12,553		12,553
Total Expenditures	240,330		240,330
Excess Revenues Over (Under)			
Expenditures	42,769	251	43,020
Other Financing Sources (Uses)			
Operating Transfers In	-	10,000	10,000
Operating Transfers Out	(10,000)		(10,000)
Total Financing Sources (Uses)	(10,000)	10,000	
Excess Revenues and Other Financing Sources Over (Under) Expenditure	O		
and Other Financing Uses	32,769	10,251	43,020
Fund Balance-Beginning of Year	244,735	10,504	255,239
Fund Balance-End of Year	\$ 277,504	\$ 20,755	\$ 298,259

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Assets - Agency Fund March 31, 2006

	Trust and Agency Fund	
Assets		
Cash/Investments	\$	764
Total Assets	\$	764
Liabilities and Net Assets		
Liablities Due to Other Funds	\$	764
Net Assets Unreserved		
Total Liabilities and Net Assets	\$	764

The Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements March 31, 2006

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Dayton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units, except for the reporting requirements under GASB #34 (due to the lack of government-wide financial statements and management's discussion and analysis). The following is a summary of the significant accounting policies used by Dayton Township:

1. REPORTING ENTITY

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

2. BASIS OF PRESENTATION

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

a. State Shared Revenue Receivable

State shared revenue is distributed in six installments per year. Often the last payment has not been received by March 31; therefore, a receivable is recorded for this amount. The final payment of \$22,460 was received on March 3, 2006, thus no receivable is recorded.

b. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before thy are added to the County tax rolls. The 2005 delinquent taxes of \$7812 were received after the year-end and recorded as revenue for the current year.

The 2005 taxable valuation of the Township totaled \$52,248,376 on which ad valorem taxes levied consisted of .9345 mills for general operating, .91 mills for fire protection. These amounts are recognized in the general fund financial statements as current tax revenue.

The government reports one major governmental fund: The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

3. ASSETS, LIABILITIES AND FUND BALANCE

<u>Bank Deposits and Investments</u> - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investments income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." All receivables are to be received within one year.

<u>Inventories and Prepaid Items</u> - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year-end.

<u>Fund Balance</u> - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

4. BUDGETS AND BUDGETARY ACCOUNTING

Public Act 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary fund have been shown on an activity basis. The approved budgets of the Township for these budgetary funds were adopted on the activity level. The budgets shown in these financial statements are as last amended through March 31, 2006. During the year ended March 31, 2006, the Township did not incurr any over expenditures:

5. REPORTING ENTITY

The financial statements of Dayton Township do not include any other governmental boards or authorities based on a determination made with the control or dependence in the areas of budget adoption, taxing authority, funding and appointment of respective boards.

6. ENCUMBRANCES

The Township does not use any form of encumbrance accounting.

7 ESTIMATES

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities, and the reported revenues and expenditures/expenses. Actual results could differ from those estimates.

NOTE B CASH DEPOSITS AND INVESTMENTS

Deposits and investments are carried at cost. Cash deposits of the Township are held at Gerber Federal Credit Union in the name of the Township. Act 217, P.A. 1982, authorizes the Township to deposit and invest in the accounts of federally insured banks, insured credit unions and savings and loan associations; bonds and other direct obligations of the United States or an agency, or instrumentally of the United States; United States government or federal agency obligation repurchase agreements; bankers' acceptance of United States banks; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; obligations in the State of Michigan or its political subdivisions, and commercial paper within three (3) highest classifications by at least two (2) rating services, maturing no later than 270 days. Michigan law prohibits security in the form of collateral, security bonds, or other forms for the deposit of public money.

Balances at March 31, 2006 related to cash and investments are detailed on the combined balance sheet as follows:

Totals (Memo Only) \$ 335,425

Cash and Investments

Cash consists of money market, bank savings, and bank checking accounts. Investments consist of certificates of deposit, which the Township held during the year. As of March 31, 2006 the Township held no certificates of deposit.

<u>Deposits</u> - As of March 31, 2006, the cash deposits covered by the National Credit Union Administration (NCUSIF) are itemized as follows:

17
17
17
2,932
2,949
747
314,127
20,755
335,629
338,578
100,000
102,949
102,747
235,629
338,578

NOTE C INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The Township's interfund receivables and payables are as follows:

General Fund - Due from Agency Fund \$ 764

Agency Fund - Due to General Fund \$ 764

Interfund Transfer

General fund transfered \$10,000 to the Capital Improvement Fund.

NOTE D RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

Required Supplementary Information
Budgetary Comparison Schedule-General Fund
For the Year Ended March 31, 2006

		General Fund			
			Variance		
	Amended		Favorable		
	Budget	Actual	(Unfavorable)		
Revenues					
Taxes and PTAF	\$ 63,500	\$ 68,559	\$ 5,059		
State Grants	140,000	136,100	(3,900)		
Charges for Services	500	1,870	1,370		
Interest Earned	5,500	4,821	(679)		
Fire Special Assessment	45,000	46,305	1,305		
Reimbursement & Other Revenue	26,350	17,383	(8,967)		
Royalties	3,200	8,061	4,861		
Total Revenue	284,050	283,099	(951)		
Expenditures					
Legislative	19,000	14,527	4,473		
General Government	67,500	63,569	3,931		
Public Safety	85,000	61,795	23,205		
Public Works	110,000	87,886	22,114		
Other Functions	13,600	12,553	1,047		
Total Expenditures	295,100	240,330	54,770		
Excess Revenues Over (Under)					
Expenditures	(11,050)	42,769	53,819		
Other Financing Sources (Uses)					
Operating Transfers In	(10,000)	(10,000)			
Excess Revenues and Other Financing Sources Over					
(Under) Expenditures and Other Financing Uses	\$ (21,050)	32,769	\$ 53,819		
Fund Balance - Beginning of Year		244,735			
Fund Balance - End of Year		\$ 277,504			

Statement of Reveneues, Expenditures and Changes in Fund Balance -Budget and Actual General Fund

For the Year Ended March 31, 2006

	1	Budget	Actual	Fa	Variance Favorable (Unfavorable)	
Revenues		Duaget	 Actual	(OIII	avorabic)	
Taxes						
Property Taxes	\$	46,000	\$ 48,865	\$	2,865	
Administration Fees		14,500	16,699		2,199	
Penalty and Interest		3,000	 2,995		(5)	
Total Taxes		63,500	68,559		5,059	
State Grants-State Shared Revenue		140,000	136,100		(3,900)	
Charges for Services-Other Fees		500	1,870		1,370	
Interest Earned		5,500	4,821		(679)	
Fire Special Assessment		45,000	46,305		1,305	
Reimbursements & Other Revenue		26,350	17,383		(8,967)	
Royalties		3,200	 8,061		4,861	
Total Revenues		284,050	283,099		(951)	
Expenditures						
Legislative						
Salaries		3,500	3,360		140	
Professional Services		10,000	7,782		2,218	
Printing and Publishing		800	1,376		(576)	
Memberships and Dues		1,200	50		1,150	
Education and Training		2,500	236		2,264	
Office Equipment		1,000	 1,723		(723)	
Total Legislative		19,000	14,527		4,473	

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)

						riance orable
	E	Budget		Actual	(Unfa	vorable)
General Government						
Supervisor	¢.	0.500	¢.	0.500	ф	
Salaries Deputy's Wages	\$	9,500	\$	9,500	\$	-
Deputy's Wages Transportation & Supplies		1,000		68		932
Transportation & Supplies		1,000				732
		10,500		9,568		932
Assessor						
Supplies and Cardwork		1,000		840		160
Professional Services		11,000		10,944		56
		12,000		11,784		216
Elections						
Wagges				1,324		
Supplies				700		
Equipment				87		
Printing				103		
		3,000		2,214		786
Clerk						
Salaries		10,000		10,000		-
Deputy's Wages		900		900		-
Supplies and Transportation		1,400		1,111		289
		12,300		12,011		289
Board of Review						
Salaries				1,234		
Supplies				210		
Other				66		
Education				120		
	\$	2,100	\$	1,630	\$	470

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)

						ariance
	Budget		Actual		Favorable (Unfavorable)	
Treasurer		Buager		Totaar	(611)	<u>auvoruore</u>
Salaries	\$	12,300	\$	12,247	\$	53
Deputy's Wages		900		900		-
Supplies and Communication		1,500		1,450		50
		14,700		14,597		103
Buildings and Grounds						
Utilities				3,869		(3,869)
Repairs and Maintenance				1,128		(1,128)
		5,900		4,997		903
Cemetery						
Contracted Services				6,549		(6,549)
Supplies				219		(219)
		7,000		6,768		232
Total General Government		67,500		63,569		3,931
Public Safety						
Fire Protection						
Contracted Services		45,000		42,365		2,635
Fire Administrator				327		(327)
		45,000		42,692		2,308
Planning and Zoning						
Salaries				15,555		
Supplies				106		
Printing and Publishing				2,192		
Contracted Services				1,250		
	\$	40,000	\$	19,103	\$	20,897

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (Continued)

Total Public Safety	\$	85,000	\$	61,795	\$	23,205	
Public Works							
Roads		85,000		83,964		1,036	
Parks and Recreation		19,000		-		19,000	
Drains		6,000		3,922		2,078	
Total Public Works		110,000		87,886		22,114	
Other Functions							
Insurance		6,000		6,617		(617)	
FICA Tax		4,600		4,349		251	
Capital Outlay		3,000		1,310		1,690	
Misc.				277		(277)	
Total Other Functions		13,600		12,553		1,324	
Total Expenditures		295,100		240,330		54,770	
Excess Revenues Over (Under) Expenditures		(11,050)		42,769		53,819	
Other Financing Sources (Uses) Operating Transfers In		(10,000)		(10,000)			
Excess Revenues and Other Financing Sources Over (Under) Expenditures and Other							
Financing Uses	\$	(21,050)		32,769	\$	53,819	
Fund Balance-Beginning of Year				244,735			
Fund Balance-End of Year			\$	277,504			

Combining Statement of Changes in Assets and Liabilities All Agency Funds For the Year Ended March 31, 2006

	Balance 4/1/2005		Additions	Deductions	Balance 3/31/2006	
Assets						
Cash - Tax Collection	\$	44	\$ 1,598,298	\$ 1,597,578	\$	764
Liabilities						
Due to Other Funds	\$	44	\$ 114,426	\$ 113,706	\$	764
Due to Schools		-	451,576	451,576		-
Due to Intermediate Schools		-	295,221	295,221		-
Due to County and State Ed. Tax		-	666,644	666,644		-
Due to Library			70,431	70,431		
Total Liabilities	\$	44_	\$ 1,598,298	\$ 1,597,578	\$	764





Hendon & Slate, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS



August 17, 2006

Township Board Dayton Township Newaygo County, Michigan

Dear Board Members:

We have recently completed an audit of the financial statements of Dayton Township as of and for the year ended March 31, 2006. In connection with our audit, we reviewed the Township's accounting procedures. In that regard we offer the following comments and recommendations.

Books and Records

We would like to again commend the clerk and treasurer for the excellent condition of the books. Prior year's audit adjustments were properly posted and the fund balance tied to the March 31, 2005 audit report.

Budget Overexpenditures

The Board also did an excellent job of amending the budget as necessary to avoid budget overexpenditures. We were extremely pleased to note there were no budget overexpenditures for the year ended March 31, 2006.

Fire Special Assessments

As we mentioned last year in our comments and recommendations letter, the State of Michigan requires property taxes collected for fire assessments be set up in a separate fund. The Board should adopt a resolution noted in the minutes that you are going to establish a special revenue fund for fire protection. The fund should have its own budget just like the General and Capital Improvement funds. You should also pay for all fire protection expenses from a separate checking account. Another QuickBooks account could be set up for fire protection. We would be glad to assist the Clerk in implementing this recommendation.

GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments

As you know, the Township elected not to fully adopt GASB 34 financial statements. Our opinion on the audited financial statements has been modified to a disclaimer opinion indicating the Township financial statements are not reported in accordance with accounting principles generally accepted in the United States.

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Hart

1550 North Industrial Park Drive Hart, MI 49420 Phone (231) 873-5611 Fax (231) 873-7033

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Dayton Township August 17, 2006 Page 2

The State has allowed townships to only elect a partial adoption of the GASB 34 requirements, by not requiring the governmental-wide statements as well as the Management's Discussion and Analysis (MD&A) and certain infrastructure information. However the State does require the fund statements be presented in accordance with GASB 34 modifications, therefore certain changes were made to the financial statements to incorporate the modifications as required by GASB 34. If the Township wants to elect full implementation of GASB 34 in future years, the Township's fixed assets would need to be accounted for at original or estimated original purchase price or fair market value on date of receipt if donated. In addition, these assets would need to be depreciated over the estimated expected life of the assets. The Township would also have to draft a Management's Discussion and Analysis prepared by the Township's management. This is included in the audited financial statement package. If the Township would like to incorporate GASB 34, we would be glad to assist you in the future.

Thank you for the courtesy extended to us during our audit. If you have any questions regarding the audit report, this letter, or any other communication, please do not hesitate to call. We look forward to continuing to serve you.

Respectfully submitted,

Joel Hewlon

Jack Hendon, CPA Hendon & Slate, P.C. Certified Public Accountants